

NOVARTIS

# Acute Care AM Incentive program 2002

## Q3&4 Amended

### I. Plan Summary

The 2002 incentive program is based on several key principles designed to achieve divisional growth objectives. The plan is designed to reward the Solid Performer, representing earnings potential of \$29,000. It is uncapped based on above target performance. Acute Care Account Managers who earn the performance rating of 'Exceptional' or 'Advanced' are guaranteed certain annual payment levels.

Quarterly payments are earned based on performance factors including Implementations by market segment, Placements, Drive Cycle Placements, and Market Performance verses budget. The annual and above target performance bonus is paid based on Market Performance verses budget.

### II. Quarterly Earnings

Each calendar quarter, an Acute Care Account Manager may earn up to \$6,000. Eighty percent of the payment is based on individual performance and 20% of the payment is based on team performance as follows:

Factor & Quarterly Goal	Payment	Conditions
<b>Implementations</b> Goal: \$76,000 annualized (See Policy & Procedure)	\$3,000 or \$120 per % from 76 to 100% of Goal	30% or at least \$22,800 of implementations logged during the quarter must be from the Homecare segment.
<b>Market verses Budget</b> Goal: 100%	\$1,200 or \$120 per % from 91 to 100% of Goal	Market performance verses budget will include transfers from DOT Foods.

### III. PRDP-Based Guarantee

At year-end, Acute Care Account Managers earning an 'Exceptional' or 'Advanced' rating on their year-end performance evaluation will be guaranteed total annual incentive compensation as follows:

PRDP Rating	Total Annual Incentive
Exceptional Performance	Not Less Than \$40,000
Advanced Performance	Not Less Than \$30,000

### IV. Annual Earnings

At year-end, Acute Care Account Managers who earn Solid Performance ratings or above may earn additional incentive based on Market verses Budget performance as follows:

# Acute Care AM Incentive program 2002

## Q3&4 Amended

Percent of Budget	Payment
91 – 99%	\$500 per % of Budget Achieved
100%	\$5,000
101 – 105%	\$900 per %
106 – 110%	\$1,100 per %
111% +	\$1,700 per %

Acute Care Account Managers who are rated as 'Needs Improvement' or 'Must Improve' on their annual performance evaluation are not eligible for the Annual Earnings component.

## **V. Acute Care Account Manager Incentive Policy and Procedure**

### **a) Implementations**

1. An 'Implementation' is new business at an end-user account either converted from a competitor or established via penetration of an existing account.
2. Account Managers will determine annualized value of an implementation based on annual case usage and actual (clinical) or 2000lb (foodservice) pricing. All implementations will be reviewed and approved by the Market Director.
3. Implementations representing annualized value of less than \$2,000 are accounted for by Placement objectives and will not be logged towards the implementations goal

### **b) Placements**

1. A 'placement' is the purchase of an SKU at an account for the first time or for the first time in more than one year. (Including Acute Care, Convalescent Care, Homecare, and Distributor accounts) Placements are logged in Over Quota during Call Report Entry.

## **VI. PARTIAL YEAR TENURE**

During the first eligible quarter of employment, partial tenured associates will be paid as follows:

	Q1	Q2	Q3
<b>Acute Care Account Manager</b>			
Market v. Budget	Plan	Plan	Plan
Successful Training Cert by MD and RTM	\$1,000	\$1,000	0
KPI Placement Goals	50%	75%	Plan
Implementation Goals	\$1000	\$1000	Plan
" "	50%	75%	Plan

## **VII. PLAN ADMINISTRATION**

### **a) Plan Year**

The Plan year is the Company's fiscal year, January 1 through December 31, 2002.

# Acute Care AM Incentive program 2002

## Q3&4 Amended

### **b) Eligibility and Participation**

All exempt MN Sales Associates are eligible to participate in the Sales Incentive plan. This excludes those associates who participate in other NCH incentive plans.

To be eligible for an incentive award, an associate must be actively employed 30 days prior to the beginning of the quarter to receive a quarterly bonus. The following are exceptions to this general rule:

1. If an associate leaves the Company before December 31 for any of the following reasons, he or she will be eligible to receive a pro-rated target award based on the period of active employment during the year:

- Job elimination
- Retirement with the consent of the Company
- Inability to perform the work as a result of injury, ill-health or disability
- Death in service

2. An associate who takes an unpaid leave of absence (such as FMLA) will be eligible for a pro-rated award for the period of active employment during the plan year. An associate who begins an unpaid leave of absence and does not return prior to December 31 will be eligible for a pro-rated award upon return to work. Associates who do not return to work will not be eligible for an award.

### **c) Payment of Awards**

The timing of award payments is at the discretion of the Company, but these will normally be made to participants on or about the dates listed below. Payments will be made after the deduction of withholdings required by law or as authorized by the recipient.

#### **Payout Dates**

- Q1 May 15<sup>th</sup>
- Q2 August 15<sup>th</sup>
- Q3 November 15<sup>th</sup>
- Q4 February 28
- Year End February 28

1. Associate must be employed with Novartis Nutrition at date of scheduled payout to be eligible for incentive.
2. The Company has complete discretion regarding all aspects of the Incentive Plan's implementation, administration, associate eligibility and payments, and may change the Plan in whole or in part or eliminate the Plan entirely at any time. The Company's determination will be final and binding.

Participation in this plan does not form a part of an associate's contractual relationship with the Company.

### **d) Divisional Incentive Funding**

Each year, the division accrues an annual incentive pool to fund the field incentive program at 100%. As performance increases above budget, additional incentive dollars are self-funded by sales gains.

## Acute Care AM Incentive program 2002

### Q3&4 Amended

Since the 2002 incentive program is based largely on estimated sales increases, Novartis Nutrition reserves the right to amend payment levels to assure that total divisional payment falls within Consumer Health budget attainment and pool-funding guidelines.

Total payments will be evaluated against NCH guidelines at the end of Q2 and Q4.

These guidelines are:

% of Divisional Budget Attainment	% of Incentive Pool Paid
90	50
95	75
100	100
105	125
110	150

If an adjustment is required at mid-year, it will be repaid with the year-end payment, provided payments fall within NCH guidelines for the total calendar year.

### **VIII. Novartis Sales Stock Option Plan**

Account Managers are eligible for Stock Option awards determined by the Novartis Sales Stock Option Plan. Details of the plan will be communicated by Human Resources.



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## Memorandum

To **Account Managers and Acute Care Account Managers**  
Copy To **Field Sales Managers**  
Date **7/11/02**  
Concerning **AM and ACAM Incentive Plans**

The purpose of this communication is to confirm two changes being made to the Acct Manager and Acute Care Acct Manager incentive programs beginning Q3.

1. The Quarterly Total Placement objective has been replaced with a Homecare Implementations Objective of \$33,000. Total payment opportunity remains the same with payout beginning at 76% achievement.
2. The Quarterly Drive Cycle Placement objective has been eliminated and replaced with a 'DSP Placement Objective' of 25. For incentive purposes, 'DSP Products' include all IMPACT, Vivonex, Peptinex DT, and Diabetisource sku's. Total payment opportunity remains the same with payout beginning at 76% achievement.

The entire management team believes that these changes represent an increased commitment to our sales plan, and are better aligned with it's intent. In addition, they afford everyone the opportunity to better concentrate on what's most important to achieve our Acute Care, Homecare, and overall Tube Feeding growth objectives.

Please note that mid-year evaluations will be based on your performance verses the original objectives – your effort has not been wasted. Incentive plan documents have been amended to reflect the new objectives. Your Market Director will forward copies to each of you.

Congratulations to all who have achieved objectives through mid-year. As always, good selling to all!

# Acute Care/Physician Account Manager Incentive program (Proposed)2005

## I. Plan Summary – Proposed 2005 Plan

The 2005 (proposed) Acute Care/Physician incentive program is based on several key principles designed to achieve divisional growth objectives. The plan is designed to reward the Solid Performer representing earnings potential of \$22,000 (annually). It is uncapped based on above target performance.

The incentive plan is an annual plan that is paid out to the Account Manager over 3 payment periods and are earned based on performance factors focusing on key growth products for the division while at the same time protecting our current overall business.

## II. Earnings Model

If the Account Manager performs at 100% to target, they can earn up to \$22,000 in incentive. The first and second trimester payout will be capped at \$6,000 total per Associate. The remaining \$10,000 will be paid at year end based on performance for entire fiscal year, plus any over performance payout (see model below)

Incentive Products	Payment Individual 80% \$17,600	Payment Team 20% \$4,400	Conditions
<b>Boost</b> <b>Resource Standard &amp; Plus</b> <b>Resource Support</b> <b>Annual Potential: \$15,180</b>	\$12,320 \$201.3 per % from 85% to 100% of Goal	\$2,860 \$47.7 per % from 85% to 100% of Goal	Performance to Individual Budget 80% Performance to Market Budget 20%
<b>IsoSource</b> <b>FiberSource</b> <b>Isocal</b> <b>Ultracal</b> <b>Compleat</b> <b>Compat Sets</b> <b>Annual Potential: \$660</b>		\$132 \$2.2 per % from 85% to 100% of Goal	Performance to Market Budget 20%
<b>Peptinex</b> <b>Vivonex</b> <b>Subdue</b> <b>Adult &amp; Peds Formulas</b> <b>Annual Potential: \$3,080</b>	\$2,640 \$176 per % from 85% to 100% of Goal	\$440 \$29.3 per % from 85% to 100% of Goal (incl. JFK)	Performance to Individual Budget 80% Performance to Market Budget 20%
<b>Impact</b> <b>Annual Potential \$3,080</b>	\$2,640 \$176 per % from 85% to 100% of Goal	\$440 \$29.3 per % from 85% to 100% of Goal	Performance to Individual Budget 80% Performance to Market Budget 20%

# Acute Care/Physician Account Manager Incentive program (Proposed)2005

<b>Overall Territory Sales Performance</b>  <b>Balance of Performance in all platforms</b>	<b>Hurdles</b>	<p>If total sales for territory is below 85% of target the Associate will receive no incentive check.</p> <p>and/or</p> <p>If sales for any platform is not at 85% to target or above, total incentive payout will be reduced by 20% of the total.</p>
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### III. Over-Performance Earnings (Uncapped)

At year-end, Account Managers may earn additional incentive based on Overall Individual Performance to budget and Region Performance to budget. (80% Performance to Individual Budget and 20% Performance to Market Target)

#### Individual 80% (Uncapped)

Percent of Individual Budget Obtained	Payment
101 – 105%	\$720 per %
106 – 110%	\$880 per %
111% +	\$1360 per %

#### Team 20% (Uncapped)

Percent of Team Budget Obtained	Payment
101 – 105%	\$180 per %
106 – 110%	\$220 per %
111% +	\$340 per %

### IV. Incentive Pool

Bonus pool will be based solely on Regional Sales performance. If the Region falls short of budget within any platform, the incentive payout will be reduced accordingly. Any surplus incentive dollars that remain after each Account Manager has been paid based on their performance to their individual targets, will be redistributed to the Account Manager and/or Market Director based on overall ranking. The Regional Vice President is responsible for Redistribution of additional pool funds and will operate under strict guidelines for dispersing of surplus funds based on objective performance criteria.

# Acute Care/Physician Account Manager Incentive program (Proposed)2005

## V. NEW HIRE & PARTIAL TENURE PLAN

During the first eligible quarter of employment, partial tenured associates will be paid as follows:

### A) New Hires

		Tri 1	Tri 2	Tri 3
<b>Acute Management</b>				
Successful completion of training certified by Market Director and Training Department.	\$1,000	\$1,000	0	
Boost / Resource Standard & Plus / Resource Support	50%	75%	Plan	
Isosource / Fibersource / Compleat/ Compat Sets	50%	75%	Plan	
Elemental Products	50%	75%	Plan	
Impact	50%	75%	Plan	

### B) Partial Tenure Plan

For associates who are promoted to new sales roles will be awarded incentive on their new plan on a pro-rated basis, based on the number of months in the new position. Payment on previous plan will be pro-rated as directed by the Regional Vice President and Market Director.

## VI. PLAN ADMINISTRATION

### a) Plan Year

The Plan year, January 1 through December 31, 2005.

### b) Eligibility and Participation

All exempt MN Sales Associates are eligible to participate in the Sales Incentive plan. This excludes those associates who participate in other NCH incentive plans.

To be eligible for an incentive award, an associate must be actively employed 30 days prior to the beginning of the quarter to receive a quarterly bonus. The following are exceptions to this general rule:

1. If an associate leaves the Company before December 31 for any of the following reasons, he or she will be eligible to receive a pro-rated target award based on the period of active employment during the year:

- Job elimination
- Retirement with the consent of the Company
- Inability to perform the work as a result of injury, ill-health or disability
- Death in service

## Acute Care/Physician Account Manager Incentive program (Proposed)2005

2. An associate who takes an unpaid leave of absence (such as FMLA) will be eligible for a pro-rated award for the period of active employment during the plan year. An associate who begins an unpaid leave of absence and does not return prior to December 31 will be eligible for a pro-rated award upon return to work. Associates who do not return to work will not be eligible for an award.

**c) Payment of Awards**

The timing of award payments is at the discretion of the Company, but these will normally be made to participants on or about the dates listed below. Payments will be made after the deduction of withholdings required by law or as authorized by the recipient.

**Payout Dates**

- Trimester 1 June 30<sup>th</sup>      Trimester 2 October 31      Year End February 28
- 1. Associate must be employed with Novartis Nutrition at date of scheduled payout to be eligible for incentive.
- 2. The Company has complete discretion regarding all aspects of the Incentive Plan's implementation, administration, associate eligibility and payments, and may change the Plan in whole or in part or eliminate the Plan entirely at any time. The Company's determination will be final and binding.

Participation in this plan does not form a part of an associate's contractual relationship with the Company.

**d) Divisional Incentive Funding**

Each year, the division accrues an annual incentive pool to fund the field incentive program at 100%. As performance increases above budget, additional incentive dollars are self-funded by sales gains.

Total payments will be evaluated against NCH guidelines at the end of Q2 and Q4.

These guidelines are:

<b>% of Divisional Budget Attainment</b>	<b>% of Incentive Pool Paid</b>
90	50
95	75
100	100
105	125
110	150

If an adjustment is required at year-end, it will be repaid with the year-end payment, provided payments fall within NCH guidelines for the total calendar year.

### **VII. Novartis Sales Stock Option Plan**

Account Managers are eligible for Stock Option awards determined by the Novartis Sales Stock Option Plan. Details of the plan will be communicated by Human Resources.



## ACAM 2003 Incentive Program

### I. Plan Summary

The 2003 incentive program is based on several key principles designed to achieve divisional growth objectives. The plan is designed to reward the Solid Performer, representing earnings potential of \$29,000. It is uncapped based on above target performance. Acute Care Account Managers who earn the performance rating of 'Exceptional' or 'Advanced' are guaranteed certain annual payment levels.

Quarterly payments are earned based on performance factors including, New Enteral DSP Starts, New Tube conversions within priority accts, Total Existing Novartis Tubes, Oral DSP Placements, Market Performance versus budget and Walgreens Market performance versus budget. The annual and above target performance bonus is paid based on Market Performance versus budget.

### II. Quarterly Earnings

Each calendar quarter, an Acute Care Account Manager may earn up to \$6,000. 70 percent of the payment is based on individual performance and 30% of the payment is based on team performance as follows:

Factor & Quarterly Goal	Payment	Conditions
<b>Enteral DSP Starts</b> Goal: (number to be determined by Market Director and AM.)	Up to \$1800 or \$120 per % from 86 to 100% of Goal	All DSP Starts must take place within Tier I, II & III Accounts. Enteral DSP products will be communicated when program is rolled out. (See Policy and Procedures)
<b>New Novartis Tubes</b> Goal: (number to be determined by Market Director and AM) <b>Total Existing Novartis Tubes</b> Goal: (number to be determined by Market Director and AM)	Up to \$1,200 \$480 for New Tubes at \$32 per % from 86 to 100% of Goal  \$720 for Existing Tubes at \$72 per % from 91 to 100% of Goal	All New Novartis Tube Conversions must come from Tier I and/or Tier II Accounts.  All existing Tubes are measured from Tier I, II & III Accounts.
<b>Oral DSP Placements</b> Goal: (Number to be determined by Market Director and AM)	Up to \$1200 or \$80 per % from 86 to 100% of Goal	Oral DSP Placements must be taken within Tier I, II & III Accounts. Oral DSP products will be communicated when program is rolled out. (See Policy and Procedures)
<b>All Other Platforms/Products</b> Goal: (To be determined by RVP and Market Director for each Market)	Up to \$900	Successful achievement of the MDO.
<b>Walgreens</b> Goal: (To be determined by RVP and Market Director for each Market)	Up to \$900 or \$60 per % from 86 to 100% of Goal	Successful Achievement of Target set for # of Walgreen Details.

## Acute Care Account Manager Incentive Program 2003

### III. Quarterly Incentive Pool

Bonus pool will be based solely on Market Sales performance. If the Market falls short of budget within any platform, the incentive payout will be reduced accordingly. Account Managers will receive payment based on team member performance vs. objectives. Any surplus incentive dollars that remain after each Account Manager has been paid based on their performance will be redistributed to the Account Managers based on team ranking. The Market Director is responsible for Redistribution of additional pool funds and has sole discretion on additional payments to team members.

### IV. PRDP Based Guarantee

At year-end, Account Managers earning higher than 'Exceptional' or 'Advanced' rating on their year-end performance evaluation will be guaranteed total annual incentive compensation as follows:

PRDP Rating	Total Annual Incentive
Exceptional Performance	Not Less Than \$40,000
Advanced Performance	Not Less Than \$30,000

### V. Annual Earnings

At year-end, Account Managers who earn Solid Performance ratings or above may earn additional incentive based on Overall Market verses Budget performance as follows:

Percent of Budget	Payment
91 – 99%	\$500 per % of Budget Achieved
100%	\$5,000
101 – 105%	\$900 per %
106 – 110%	\$1,100 per %
111% +	\$1,700 per %

Account Managers who are rated as 'Needs Improvement' or 'Must Improve' on their annual performance evaluation are not eligible for the Annual Earnings component.

### VI. Acute Care Account Manager Incentive Policy and Procedure

#### a) New Novartis Tubes (Tier I & II Accounts Only)

A New Novartis Tube is a new enteral Tube Patient at an end-user account either converted from a competitor or established via penetration of an existing account. New Tie I & II tubes are logged via the Opportunity Tracker and must be approved by the Market Director.

## Acute Care Account Manager Incentive Program 2003

**b) Total Existing Novartis Tubes**

At the beginning of the year, each Acct. Mgr. will determine via Overquota, the average number of existing Novartis Tubes within their Tier I, II & III accounts. As the Account Manager works through their account base, they must maintain updated information on the number of tubes at their accounts. The AM will be paid at the end of each quarter based on their Current Novartis Tube goal.

c) Enteral DSP Starts

A DSP Start is a new patient start on a Novartis Disease Specific enteral formula at an end-user account, within any segment (LTC/Acute Care/Home Care – Tier I, II or III) that is generated by the account manager during a sales call. This measure is designed to support the following key activities:

- Meeting with Medical Professionals (DON, MD's / Chief Clinical, etc)
- Discussing Disease Specific Products.
- Identifying patients who would benefit from those products.
- Securing commitment to place patients on those products at the time of the call.
- Ensure order has been placed for delivery of product to the end-user.

Credit for Starts may not be taken unless they are generated by the Account Manager, with the professional, during a sales call. This measure is not designed to facilitate follow-up to determine how many starts occurred since the last sales call. It's designed solely to support the key activities listed above.

An Account Manager may take credit for a New Tier I or Tier II tube conversion and a DSP Start if during the conversion, the account manager upgrades the tube feeding formula from a standard product to an enteral DSP product. This is only relevant in Long Term Care and Home Care conversions. In Acute Care, Conversions and Starts are driven by separate activities and cannot be combined for dual credit.

**d) Oral DSP Placements**

An Oral DSP 'placement' is the purchase of a defined Oral DSP at an account for the first time or for the first time in more than one year. (Including Acute Care, Convalescent Care, Homecare, and Distributor accounts) Placements are logged in Over Quota during Call Report Entry. A placement can be taken at the time an order is written or if on a subsequent call you determine the customer has purchased the product. The associate must verify the product has been ordered prior to taking the placement. This is why it's critically important that the representative write and control the order process.

e) Market Development Objectives

Each quarter the account manager will be assigned an objective designed to support overall sales results within the Other Platform for their territory/market. Performance against this objective must be discussed and agreed upon between the associate and the Market Director. The Objective will be Specific, Measurable, Actionable, Reasonable and Time-bound. In order the associate to be eligible for payment within this platform, they must successfully complete this objective.

## Acute Care Account Manager Incentive Program 2003

### VII. NEW HIRE & PARTIAL TENURE PLAN

During the first eligible quarter of employment, partial tenured associates will be paid as follows:

#### A) New Hires

	Q1	Q2	Q3
Successful Training Cert by MD and RTM	\$1,000	\$1,000	0
New Tier I & II Tubes	50%	75%	Plan
Total Novartis Tubes	50%	75%	Plan
Enteral DSP Starts	50%	75%	Plan
Oral DSP Placements	50%	75%	Plan
Other / MDO	50%	75%	Plan
Walgreens	50%	75%	Plan

#### B) Partial Tenure Plan

For associates who are promoted to new sales roles will be awarded incentive on their new plan on a pro-rated basis, based on the number of months in the new position. Payment on previous plan will be pro-rated as directed by the Regional Vice President and Market Director.

### VIII. PLAN ADMINISTRATION

#### a) Plan Year

The Plan year is the Company's fiscal year, January 1 through December 31, 2003.

#### b) Eligibility and Participation

All exempt MN Sales Associates are eligible to participate in the Sales Incentive plan. This excludes those associates who participate in other NCH incentive plans.

To be eligible for an incentive award, an associate must be actively employed 30 days prior to the beginning of the quarter to receive a quarterly bonus. The following are exceptions to this general rule:

1. If an associate leaves the Company before December 31 for any of the following reasons, he or she will be eligible to receive a pro-rated target award based on the period of active employment during the year:

- Job elimination
- Retirement with the consent of the Company
- Inability to perform the work as a result of injury, ill-health or disability
- Death in service

## Acute Care Account Manager Incentive Program 2003

2. An associate who takes an unpaid leave of absence (such as FMLA) will be eligible for a pro-rated award for the period of active employment during the plan year. An associate who begins an unpaid leave of absence and does not return prior to December 31 will be eligible for a pro-rated award upon return to work. Associates who do not return to work will not be eligible for an award.

**c) Payment of Awards**

The timing of award payments is at the discretion of the Company, but these will normally be made to participants on or about the dates listed below. Payments will be made after the deduction of withholdings required by law or as authorized by the recipient.

**Payout Dates**

- Q1 May 31<sup>st</sup>      Q2 August 31<sup>st</sup>      Q3 November 30<sup>th</sup>      Q4 February 29
- Year End February 29

1. Associate must be employed with Novartis Nutrition at date of scheduled payout to be eligible for incentive.
2. The Company has complete discretion regarding all aspects of the Incentive Plan's implementation, administration, associate eligibility and payments, and may change the Plan in whole or in part or eliminate the Plan entirely at any time. The Company's determination will be final and binding.

Participation in this plan does not form a part of an associate's contractual relationship with the Company.

**d) Divisional Incentive Funding**

Each year, the division accrues an annual incentive pool to fund the field incentive program at 100%. As performance increases above budget, additional incentive dollars are self-funded by sales gains.

Total payments will be evaluated against NCH guidelines at the end of Q2 and Q4.

These guidelines are:

% of Divisional Budget Attainment	% of Incentive Pool Paid
90	50
95	75
100	100
105	125
110	150

If an adjustment is required at mid-year, it will be repaid with the year-end payment, provided payments fall within NCH guidelines for the total calendar year.

## IX. Novartis Sales Stock Option Plan

Associate are eligible for Stock Option awards determined by the Novartis Sales Stock Option Plan. Details of the plan will be communicated by Human Resources.

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